

CITY OF WEST UNION

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2009

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City of West Union

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Merlin Dunt	Mayor	January 2010
Roy Guenther	Council Member	January 2010
Britt Dyke	Council Member	January 2010
Karen Halva	Council Member	January 2012
Troy Schott	Council Member	January 2012
Marc Rue	Council Member	January 2012
Martin E. Games	City Clerk/Administrator	
Amie Johansen	Deputy City Clerk	
Jeremiah White	City Attorney	

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Union's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2009 on our consideration of the City of West Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 29 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

October 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of West Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 8.31%, or approximately \$163,000, from fiscal 2008 to fiscal 2009. The decrease reflects decreased revenues in grant proceeds. Tax Increment Finance collections increased by approximately \$25,000, while Property Tax receipts decreased by \$26,000. The City also borrowed \$165,000.
- Governmental Activities disbursements increased by 5.6%, or approximately \$103,000, in fiscal year 2009 from fiscal year 2008. Expenditures related to capital projects increased by \$18,000. Public works expenditures saw a \$260,000 decrease. Public safety expenditures increased by \$293,000 due to the purchase of a new fire truck. Expenditures in other programs remained fairly consistent from the previous year.
- The City's total cash basis net assets decreased 8.7%, or approximately \$103,000 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$143,000 and the assets of the business type activities increased by approximately \$40,000. This decrease is mainly the result of the purchase of a new fire truck.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased by 18% from a year ago, increasing from \$678,000, to \$801,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 230	212
Operating grants, contributions and restricted interest	255	282
Capital grants, contributions and restricted interest	117	449
General receipts:		
Property tax	790	826
Local option sales tax	177	165
Grants and contributions not restricted to specific purposes	-	-
Unrestricted investment earnings	23	3
Loan proceeds	165	-
Other general receipts	43	26
Transfers, net	-	-
Total receipts and transfers	<u>1,800</u>	<u>1,963</u>
Disbursements:		
Public safety	628	335
Public works	577	837
Health and social services	-	-
Culture and recreation	466	425
Community and economic development	81	60
General government	110	119
Debt Service	-	1
Capital projects	<u>81</u>	<u>63</u>
Total disbursements	<u>1,943</u>	<u>1,840</u>
Increase/Decrease in cash basis net assets	(143)	123
Cash basis net assets beginning of year	<u>801</u>	<u>678</u>
Cash basis net assets end of year	<u><u>658</u></u>	<u><u>801</u></u>

The City's total receipts for governmental activities decreased by 8.31%, or \$163,000. The total cost of all programs and services increased by approximately \$103,000, or 5.60%, with no new programs added this year. The increase in expenditures was primarily the result of the purchase of the new fire truck.

The City lowered its property tax rates for 2009 to \$11.33 per thousand of taxable valuation as compared to \$11.44 in 2008. Property tax receipts are budgeted to increase by \$135,000 next year.

The cost of all governmental activities this year was \$1,943,000 compared to \$1,840,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 14, the amount taxpayers ultimately financed for these activities was only \$1,342,503 because some of the cost was paid by those directly benefited from the programs (\$230,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$371,917).

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 236	227
Sewer	256	252
Capital grants, contributions and restricted interest	50	-
General receipts:		
Unrestricted interest on investments	9	15
Bond proceeds	-	-
Other general receipts	<u>5</u>	<u>7</u>
Total receipts	<u>556</u>	<u>501</u>
Disbursements:		
Water	205	200
Sewer	311	259
Transfers	<u>-</u>	<u>-</u>
Total disbursements and transfers	<u>516</u>	<u>459</u>
Decrease/Increase in cash balance	40	42
Cash basis net assets beginning of year	<u>384</u>	<u>342</u>
Cash basis net assets end of year	<u><u>424</u></u>	<u><u>384</u></u>

Total business type activities receipts for the fiscal year were \$556,000 compared to \$501,000 last year. The cash balance increased by \$40,000 from the prior year. Total disbursements and transfers for the fiscal year increased by 12.4% to a total of \$516,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND

As the City of West Union completed the year, its governmental funds reported a combined fund balance of \$658,014, a decrease of more than \$143,000 below last year's total of \$801,152. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$177,494 from the prior year to \$121,408. This decrease was the result of decreased ending balance in the fire equipment replacement funds of \$128,079. The general operating fund balance decreased by \$49,415 to \$120,358.
- The Road Use Tax Fund cash balance decreased by \$23,273 to \$61,046, during the fiscal year. The City made capital equipment purchases during the year.

- The Urban Renewal Tax Increment Fund balance increased \$34,708 to \$110,006. This increase was the result of additional tax increment tax revenues.
- The balance in the Street Improvement Fund increased by \$9,766 to an ending balance of \$50,368. These funds will be used for further street projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$41,650 to \$244,560. The City intends to use these funds for further improvements to the water system to meet new water quality standards.

The Sewer Fund cash balance decreased by \$1,374 to \$179,106. The City intends to use these funds to keep the City's sewer system in compliance with state and federal regulations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on January 5, 2009, and increased revenues for the fiscal year by \$367,100 and increased expenditures by \$563,300. The beginning cash balance for the fiscal year was increased by \$37,620 to reflect the actual balance on hand on July 1, 2008. A public hearing was held prior to the approval of the budget amendment and no public comments were received during the hearing.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$1,020,475 in bonds and other long-term debt, compared to approximately \$1,029,424 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 115	-
Revenue notes	905	1,029
Total	<u>1,020</u>	<u>1,029</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding obligations represent 44% of its constitutional debt limit of \$5,253,228. These obligations include an Aquatic Center revenue note and Tax Increment Development agreements currently in place.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

West Union elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities. Budgeted revenues are \$2,551,166 and expenditures are set at \$2,500,594. If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$50,500 by the close of Fiscal Year 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Martin Games, City Clerk, 612 Highway 150 South, West Union, Iowa 52175.

City of West Union

Basic Financial Statements

City of West Union
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2009

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 627,563	34,622	4,726	25,000
Public works	577,220	127,321	211,490	91,656
Health and social services	351	-	-	-
Culture and recreation	465,741	60,245	31,074	395
Community and economic development	81,080	-	-	-
General government	110,379	7,565	6,055	-
Debt service	-	-	21	-
Capital projects	80,839	-	1,500	-
Total governmental activities	1,943,173	229,753	254,866	117,051
Business type activities:				
Water	181,513	236,040	-	-
Sewer	311,711	255,627	51,425	-
Total business type activities	493,224	491,667	51,425	-
Total	\$ 2,436,397	721,420	306,291	117,051
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Other city tax				
Unrestricted interest on investments				
Miscellaneous				
Loan proceeds				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal projects				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(563,215)	-	(563,215)
(146,753)	-	(146,753)
(351)	-	(351)
(374,027)	-	(374,027)
(81,080)	-	(81,080)
(96,759)	-	(96,759)
21	(23,203)	(23,182)
(79,339)	-	(79,339)
(1,341,503)	(23,203)	(1,364,706)
-	54,527	54,527
-	(4,659)	(4,659)
-	49,868	49,868
(1,341,503)	26,665	(1,314,838)
689,561	-	689,561
100,928	-	100,928
176,994	-	176,994
33,621	-	33,621
22,806	8,726	31,532
9,456	4,824	14,280
165,000	-	165,000
-	-	-
1,198,366	13,550	1,211,916
(143,137)	40,215	(102,922)
801,152	383,554	1,184,706
\$ 658,015	423,769	1,081,784
\$ 61,046	-	61,046
110,005	-	110,005
1,329	38,988	40,317
84,580	-	84,580
401,055	384,781	785,836
\$ 658,015	423,769	1,081,784

City of West Union
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2009

	General	Road Use Tax	Special Revenue Urban Renewal Tax Increment	Library	Permanent Cemetery Perpetual Care
Receipts:					
Property tax	\$ 529,730	-	-	-	-
Tax increment financing collections	-	-	100,928	-	-
Other city tax	33,621	-	-	-	-
Licenses and permits	7,565	-	-	-	-
Use of money and property	22,806	-	2,110	2,738	750
Intergovernmental	104,693	211,490	-	-	-
Charges for service	222,116	-	-	72	-
Miscellaneous	36,174	2,474	-	2,123	-
Total receipts	956,705	213,964	103,038	4,933	750
Disbursements:					
Operating:					
Public safety	562,364	-	-	-	-
Public works	310,520	237,237	-	-	-
Health and social services	351	-	-	-	-
Culture and recreation	270,501	-	-	-	-
Community and economic development	27,522	-	53,558	-	-
General government	92,940	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	1,264,198	237,237	53,558	-	-
Excess (deficiency) of receipts over (under) disbursements	(307,493)	(23,273)	49,480	4,933	750
Other financing sources (uses):					
Loan proceeds	115,000	-	-	-	-
Miscellaneous	(249)	-	-	-	-
Operating transfers in	178,526	-	-	1,137	-
Operating transfers out	(163,278)	-	(14,772)	-	-
Total other financing sources (uses)	129,999	-	(14,772)	1,137	-
Net change in cash balances	(177,494)	(23,273)	34,708	6,070	750
Cash balances beginning of year	298,902	84,319	75,297	106,489	73,830
Cash balances end of year	\$ 121,408	61,046	110,005	112,559	74,580
Cash Basis Fund Balances					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved:					
General fund	\$ 121,408	-	-	-	-
Special revenue funds	-	61,046	110,005	112,559	-
Capital projects fund	-	-	-	-	-
Permanent fund	-	-	-	-	74,580
Total cash basis fund balances	\$ 121,408	61,046	110,005	112,559	74,580

See notes to financial statements

Other Nonmajor Governmental Funds	Total
159,831	689,561
-	100,928
176,994	210,615
-	7,565
3,924	32,328
-	316,183
-	222,188
15,146	55,917
355,895	1,635,285
65,199	627,563
29,463	577,220
-	351
195,240	465,741
-	81,080
17,439	110,379
-	-
80,839	80,839
388,180	1,943,173
(32,285)	(307,888)
50,000	165,000
-	(249)
50,171	229,834
(51,784)	(229,834)
48,387	164,751
16,102	(143,137)
162,315	801,152
178,417	658,015
1,329	1,329
-	121,408
102,842	386,452
64,246	64,246
10,000	84,580
178,417	658,015

City of West Union

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2009

Total governmental funds cash balances (page 16)	\$ 658,015
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Cash basis net assets of governmental activities (page 15)	<u>\$ 658,015</u>
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Net change in cash balances (page 16)	\$(143,137)
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Change in cash balance of governmental activities (page 15)	<u>\$(143,137)</u>
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See notes to financial statements

City of West Union

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise Funds				
	Other Nonmajor				
	Proprietary				
	Fund:				
	Water				
	Revenue				
	Bond				
	Sinking				
	Water	Sewer		Total	Internal Service
Operating receipts:					
Use of money and property	\$ 5,442	3,284	-	8,726	-
Charges for service	236,040	255,627	-	491,667	-
Miscellaneous	4,640	51,425	-	56,065	-
Total operating receipts	246,122	310,336	-	556,458	-
Operating disbursements:					
Business type activities	181,513	311,711	-	493,224	-
Total operating disbursements	181,513	311,711	-	493,224	-
Excess (deficiency) of operating receipts over (under) operating disbursements	64,609	(1,375)	-	63,234	-
Non-operating receipts (disbursements):					
Miscellaneous	244	-	-	244	(60)
Debt service	-	-	(23,203)	(23,203)	-
Total non-operating receipts (disbursements)	244	-	(23,203)	(22,959)	(60)
Excess (deficiency) of receipts over (under) disbursements	64,853	(1,375)	(23,203)	40,275	(60)
Operating transfers in/(out)	(23,280)	-	23,280	-	-
Net change in cash balances	41,573	(1,375)	77	40,275	(60)
Cash balances beginning of year	163,999	180,481	38,911	383,391	163
Cash balances end of year	\$ 205,572	179,106	38,988	423,666	103
Cash Basis Fund Balances					
Reserved for debt service	-	-	38,988	38,988	-
Unreserved	\$ 205,572	179,106	-	384,678	103
Total cash basis fund balances	\$ 205,572	179,106	38,988	423,666	103

See notes to financial statements

City of West Union

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2009

Total enterprise funds cash balances (page 18)	\$423,666
Internal Service Fund - Payroll	<u>103</u>
Cash basis net assets of business type activities (page 15)	<u><u>\$423,769</u></u>
Net change in cash balances (page 18)	\$ 40,275
Internal Service Fund - Payroll	<u>(60)</u>
Change in cash balance of business type activities (page 15)	<u><u>\$ 40,215</u></u>

See notes to financial statements

City of West Union
Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of West Union is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of West Union has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County Solid Waste Management Commission, Fayette County Emergency Management Commission, Fayette County Joint E911 Service Board, Fayette County Economic Development Board, Upper Explorerland Regional Housing Authority, and West Union Industrial Development Corporation.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and

intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for TIF revenues and active TIF projects.

The Library Fund is used to account for donations made to the library and interest earned from investments held by the library.

Permanent:

The Cemetery Perpetual Care Fund holds investments in a certificate of deposit of which the interest generated can be used for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional fund:

An Internal Service Fund is utilized to account for payroll and related benefits by departments of the City.

C. Measurement Focus and Basis of Accounting

The City of West Union maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009 disbursements exceed the amounts budgeted for the Culture and Recreation function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	<u>\$750,000</u>	<u>\$750,000</u>	<u>July 22, 2009</u>

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for bonds and notes are as follows:

Year Ending June 30,	Revenue Note		General Obligation Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 13,103	10,085	21,294	5,308	34,397	15,393
2011	13,758	9,413	22,318	4,284	36,076	13,697
2012	14,446	8,708	23,390	3,212	37,836	11,920
2013	15,168	7,968	24,515	2,087	39,683	10,055
2014	15,926	7,190	23,483	909	39,409	8,099
2015 – 2021	135,845	25,052	-	-	135,845	25,052
Total	<u>\$ 208,246</u>	<u>68,416</u>	<u>115,000</u>	<u>15,800</u>	<u>323,246</u>	<u>84,216</u>

The resolutions providing for the issuance of the water revenue note include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking fund account for the purpose of making the bond principal and interest payments when due.

The City has issued a General Obligation Note for the purchase of a fire truck during the year in the amount of \$115,000 at a rate of 4.75% per annum from January 20, 2009 until maturity on June 1, 2014. The semi-annual payments are to begin December 1, 2009 and are \$13,300.99. No principal or interest payments were made during the year.

The City entered into an open line of credit agreement with Kerndt Brother's Savings Bank on November 13, 2008. The total line is for \$150,000 and bears interest of 4.5%. As of June 30, 2009, the balance was \$50,000 and no principal or interest payments were made during the year. Per the terms of the line, all interest on the amount of credit outstanding, as well as the total principal, is due on May 13, 2010.

The City has issued Local Option Sales Tax Revenue Bonds during the year in the amount of \$1,100,000 at a rate of 4% per annum from June 27, 2005 until maturity on March 1, 2015. The payments are to be made in an amount equal to 80% of the Local Option Sales Tax revenues collected by the City. There is no pre-

established payment schedule for these bonds because revenues from the Local Option Sales Tax are uncertain as to amount.

The City passed a resolution to internally borrow funds from available account balances at a rate of 5% per annum. During the fiscal year ended June 30, 2002, the Street Improvement Fund loaned the Tax Increment Financing Fund \$94,500 for a street improvement project within the commercial TIF district. During the year, \$14,772 was transferred from the Tax Increment Financing Fund to the Street Improvement Fund.

(4) Lease Purchase Agreements

The City entered into a lease purchase agreement with Baumler Implements, Inc. for a New Holland tractor. The lease purchase arrangement is for six years beginning March 26, 2001. The City traded in an old tractor for the initial lease payment, with \$7,000 being paid each year during the fiscal years ended July 1, 2002 through July 1, 2006. There was to be a \$36,769 buyout at the end of the lease period on July 1, 2006, however the City extended the lease for an additional six years and continued with the \$7,000 per year annual payment, due July 1 of each year starting July 1, 2006 through July 1, 2011. The lease extension bears interest at 5% per annum.

The City entered into an operating lease with Hawkeye Alarm & Signal Company for two alarm receiving panels. The lease ran for three years, from January 1, 1987 to January 1, 1989 and thereafter until written notice is given by either party 30 days prior to the date of desired termination. The City pays \$84 per alarm, or \$168 annually.

The City entered into a lease purchase agreement with Star Leasing, LLC for a copier. The lease purchase arrangement is for five years beginning May 22, 2006, and the payments are \$50 per month, or \$600 annually. At the end of the lease the copier can be purchased for its fair market value.

The City entered into a lease purchase agreement with John Deere Credit for a John Deere Gator. The lease purchase agreement is for five years beginning on July 5, 2005, and the payments are \$1,933.29 annually. At the end of the lease the gator can be purchased for \$1. Future minimum lease payments are as follows:

Year ended June 30, 2010	\$	9,701
June 30, 2011		9,701
June 30, 2012		6,511
June 30, 2013		<u>168</u>
Total	\$	<u>26,081</u>

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$39,871, \$36,022, and \$36,371, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation leave hours. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$41,353</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue Emergency	\$16,385
Special Revenue Employee Benefits Library	Special Revenue LOST General	17,700 1,137
Capital Projects Street Improvements	Special Revenue TIF LOST	14,772 17,699
Enterprise Water Sinking	Enterprise Water	23,280

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,571 during the year ended June 30, 2009.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

City of West Union

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 689,561	-	-
Tax increment financing collections	100,928	-	-
Other city tax	210,615	-	-
Licenses and permits	7,565	-	-
Use of money and property	32,328	8,726	750
Intergovernmental	316,183	-	-
Charges for service	222,188	491,667	-
Miscellaneous	55,917	56,065	-
Total receipts	1,635,285	556,458	750
Disbursements:			
Public safety	627,563	-	-
Public works	577,220	-	-
Health and social services	351	-	-
Culture and recreation	465,741	-	-
Community and economic development	81,080	-	-
General government	110,379	-	-
Debt service	-	-	-
Capital projects	80,839	-	-
Business type activities	-	516,427	-
Total disbursements	1,943,173	516,427	-
Excess (deficiency) of receipts over (under) disbursements	(307,888)	40,031	750
Other financing sources (uses), net	164,751	184	(60)
Excess of receipts and other financing sources over disbursements and other financing uses	(143,137)	40,215	690
Balances beginning of year	801,152	383,554	83,993
Balances end of year	\$ 658,015	423,769	84,683

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
689,561	676,174	676,174	13,387
100,928	102,500	102,500	(1,572)
210,615	223,059	223,059	(12,444)
7,565	5,600	5,600	1,965
40,304	59,900	59,900	(19,596)
316,183	258,000	397,000	(80,817)
713,855	690,760	703,860	9,995
111,982	30,750	55,750	56,232
2,190,993	2,046,743	2,223,843	(32,850)
627,563	346,700	646,700	19,137
577,220	489,990	604,990	27,770
351	400	400	49
465,741	315,785	457,785	(7,956)
81,080	122,775	122,775	41,695
110,379	127,135	127,135	16,756
-	128,000	-	-
80,839	32,000	101,300	20,461
516,427	526,655	564,655	48,228
2,459,600	2,089,440	2,625,740	166,140
(268,607)	(42,697)	(401,897)	133,290
164,995	-	190,000	(25,005)
(103,612)	(42,697)	(211,897)	108,285
1,100,713	1,147,087	1,184,707	(83,994)
997,101	1,104,390	972,810	24,291

City of West Union

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$177,100 and increased budgeted disbursements by \$536,300. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceed the amounts budgeted in the culture and recreation program.

Other Supplementary Information

City of West Union
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	Special Revenue			Local Option Sales Tax	Debt Service
	Employee Benefits	Emergency	Cemetery		
Receipts:					
Property tax	\$ 143,446	16,385	-	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	-	-	176,994	-
Use of money and property	1,011	-	2,184	-	21
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	125	-	-	-	-
Total receipts	144,582	16,385	2,184	176,994	21
Disbursements:					
Operating:					
Public safety	65,199	-	-	-	-
Public works	29,463	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	46,960	-	6,685	141,595	-
Community and economic development	-	-	-	-	-
General government	17,439	-	-	-	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	159,061	-	6,685	141,595	-
Excess (deficiency) of receipts over (under) disbursements	(14,479)	16,385	(4,501)	35,399	21
Other financing sources:					
Operating transfers in/(out)	17,700	(16,385)	-	(35,399)	-
Loan proceeds	-	-	-	-	-
	17,700	(16,385)	-	(35,399)	-
Net change in cash balances	3,221	-	(4,501)	-	21
Cash balances beginning of year	57,927	-	46,195	-	1,308
Cash balances end of year	61,148	-	41,694	-	1,329
Cash Basis Fund Balances					
Reserved:					
Debt service	-	-	-	-	1,329
Unreserved:					
Special revenue funds	61,148	-	41,694	-	-
Capital projects fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	61,148	-	41,694	-	1,329

See accompanying independent auditor's report

Schedule 1

Capital Projects			Permanent	
Street Improvements	Aquatic Center	Park Equipment	Cemetery Mausoleum	Total
-	-	-	-	159,831
-	-	-	-	-
-	-	-	-	176,994
600	13	95	-	3,924
-	-	-	-	-
-	-	-	-	-
658	1,500	12,863	-	15,146
1,258	1,513	12,958	-	355,895
-	-	-	-	65,199
-	-	-	-	29,463
-	-	-	-	-
-	-	-	-	195,240
-	-	-	-	-
-	-	-	-	17,439
-	-	-	-	-
73,963	1,224	5,652	-	80,839
73,963	1,224	5,652	-	388,180
(72,705)	289	7,306	-	(32,285)
32,471	-	-	-	(1,614)
50,000	-	-	-	50,000
82,471	-	-	-	48,387
9,766	289	7,306	-	16,102
40,603	712	5,570	10,000	162,315
50,369	1,001	12,876	10,000	178,417
-	-	-	-	1,329
-	-	-	-	102,842
50,369	1,001	12,876	-	64,246
-	-	-	10,000	10,000
50,369	1,001	12,876	10,000	178,417

Schedule 2

City of West Union
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Loan agreements:			
Line of credit	Nov 13, 2008	4.50%	150,000
General obligation notes:			
Fire truck note	Jan 20, 2009	4.00%	115,000
Revenue bonds:			
Water	Dec 1, 1981	5.00%	396,600
Local option sales tax	June 27, 2005	4.00%	1,100,000

See accompanying independent auditor's report

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
-	50,000	-	50,000	-	-
\$ -	50,000	-	50,000	-	-
-	115,000	-	115,000	-	-
\$ -	115,000	-	115,000	-	-
220,725	-	12,479	208,246	10,724	-
808,699	-	111,469	697,230	30,126	-
\$ 1,029,424	-	123,948	905,476	40,850	-

City of West Union

Bond and Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Not	
	Fire Truck	
	Issued Jan 20, 2009	
	Interest	
	Rates	Amount
2010	4.75	21,294
2011	4.75	22,318
2012	4.75	23,390
2013	4.75	24,515
2014	4.75	23,483
Total		<u>\$115,000</u>

Year Ending June 30,	Revenue Bonds and Notes				
	Water		LOST		Total
	Issued Dec 1, 1981		Issued June 27, 2005		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2010	5.00	13,103	4.00	110,000	123,103
2011	5.00	13,758	4.00	110,000	123,758
2012	5.00	14,446	4.00	110,000	124,446
2013	5.00	15,168	4.00	110,000	125,168
2014	5.00	15,926	4.00	110,000	125,926
2015 - 2021	5.00	135,845	4.00	147,230	283,075
Total		\$208,246		697,230	905,476

See accompanying independent auditor's report

City of West Union

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property tax	\$ 689,561	715,513	681,350	659,001	594,144	581,750	589,872
Tax increment financing	100,928	74,853	64,304	47,681	189,400	178,698	177,693
Other city tax	210,615	200,105	211,504	168,635	166,190	192,585	208,945
Licenses and permits	7,565	6,515	6,319	8,191	8,135	7,526	6,305
Use of money and property	32,328	40,890	39,305	31,790	13,818	11,419	28,602
Intergovernmental	316,183	674,719	225,086	224,156	225,764	257,676	404,551
Charges for service	222,188	205,464	189,212	193,760	189,794	144,773	157,216
Miscellaneous	55,917	44,990	151,144	81,265	700,583	130,341	87,592
Total	\$ 1,635,285	1,963,049	1,568,224	1,414,479	2,087,828	1,504,768	1,660,776
Disbursements:							
Operating:							
Public safety	\$ 627,563	334,739	291,880	311,015	248,540	278,575	399,565
Public works	577,220	836,787	500,268	415,784	358,248	362,200	417,556
Health and social services	351	360	334	316	338	280	300
Culture and recreation	465,741	424,953	426,178	390,888	250,716	318,031	310,812
Community and economic development	81,080	60,232	59,299	313,880	135,380	18,055	16,678
General government	110,379	119,533	103,449	117,047	105,794	117,976	109,628
Debt service	-	1,053	26,115	69,244	234,560	339,885	428,524
Capital projects	80,839	62,900	130,425	164,549	1,171,332	480,316	171,269
Total	\$ 1,943,173	1,840,557	1,537,948	1,782,723	2,504,908	1,915,318	1,854,332

See accompanying independent auditor's report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with Government Auditing
Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 5, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Union's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of West Union's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Union's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of West Union's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of West Union's financial statements that is more than inconsequential will not be prevented or detected by the City of West Union's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of West Union's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 is a material

weakness. We also consider the following deficiency to be a significant deficiency in internal control over financial reporting:

Significant Deficiency - The City of West Union, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Management Response - Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Union's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of West Union's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of West Union's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Union and other parties to whom the City of West Union may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Union during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

October 5, 2009

City of West Union
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of West Union was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2009.

City of West Union
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- II-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-09 Financial Reporting – During the audit, we noted the proceeds of the General Obligation Note for the fire truck were deposited into the General Fund rather than the Debt Service Fund.

Recommendation – The City should deposit all General Obligation debt proceeds into the Debt Service Fund.

Response – We mistakenly deposited the proceeds into the fund where the fire truck was being purchased from.

Conclusion – Response acknowledged.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting:

III-A-09 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.

III-B-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the culture and recreation program. Chapter 384.20 of the Code of Iowa states in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do this in the future.

Conclusion – Response accepted.

III-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kathy Guyer, Park & Recreation Director, Husband owns Guy Com Computer Systems	Purchase computer for library, repairs & maintenance to computer	\$ 1,571
Rory Starks, City Employee, Owner of R & V Snow Removal	Snow Removal	1,000

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with R & V Snow Removal does not appear to represent a conflict of interest since the total transaction with the individuals was less than \$1,500 during the fiscal year.

In accordance with Chapter 362.5(5) of the Code of Iowa, the transaction with Guy Com Computer Systems does not appear to represent a conflict of interest since the remuneration of employment will not be directly affected as a result of the contract and the duties of employment do not directly involve the procurement or preparation of any part of the contract.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- III-E-09 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-09 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.
- III-H-09 Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2009.

City of West Union

Staff

This audit was performed by:

Gina Trimble, CPA, Manager